App. F. IX-4

192 .

G.2 File No. 255-24

*Previous References*

Serial Nos. /

*Later References*

# General and Revenue Secretariat.

*Serial Nos.*

( F 71 F )

**Part B for** Aug 1925

**SUBJECT**

Re- Granting Indian Banks a share in the Customs' Receipts & Distribution thereof among exporting & importing Provinces during the twenty years after the introduction of

Serial No.

Mr. Matthan casually mentioned to me that an ad-interim reply to our representation on the subject of Customs Duties had been received from the Government of India. I have obtained a copy of the communication from him and find on reading it that the Government of India have mixed up the two questions viz. (1) our claim to a share of the Customs Duties and (2) our claim to exemption from Import Duties of articles purchased for the use of the various departments of Government., and propose to deal with these two problems together.

2. It seems to me that it is not desirable to permit this arrangement. The general question of Customs Duties is a very large problem and its settlement cannot be looked for in the near future. We should not be surprised if it takes some years for any decision to be reached about it. The two cases can, I think, be dealt with separately as there is nothing common to them which makes the solution of the one depend on that of the other. We have made it quite clear in our letter no.810 dated 3rd March 1923 that the exemption of Government consignments from Customs duties is a request of a limited character which stands on a different footing from the general question of our claim to a share of Customs Duties. I think we should

Serial No.

should ask for these two questions being kept separate and press for a prompt decision regarding exemption.

3. The grounds on which we can make this request may, I think, be the following:-

1. Mr. Cater's D.O. dated 19th June 1924 makes the definite statement that it cannot be "indicated at present ~~xxxx~~ when a decision will be arrived at as regards the general question." The clubbing of the exemption case with the claims case is bound to result in indefinite delay. We realise that the claims question is a very difficult problem and we are therefore prepared for some delay in its settlement. But the exemption case is altogether different and there is no reason why we should agree to a method of disposal which practically means shelving ~~xx~~ it indefinitely.

2. It is true that Secion 20 of the Sea Customs Act was deleted with effect from 1st April 1924 with a view to carry out the recommendations of the Indian Fiscal Commission, for bringing under the Import Customs levy, all consignments without exception, even including those belonging to Central and Provincial Governments. This amendment of the Sea Customs Act was in the interests of Indian industries and it was not intended to make the

Serial No.

the Provincial Governments really pay the duties. The Indian Fiscal Commission alluded to this point, but, did not express any opinion on it. This is what they said:

-"It is also no doubt ,true that unless special arrangements are made, the change would have an adverse financial effect on Local Governments in as much as Import Duty would be paid by them while the revenue would accrue to the Central Government. This, however, is a matter of detail in regard to which it would be out of place for us to make any recommendations ". (vide para 227 of the Report.) The Government of India solved the difficulty by agreeing to refund to the Provincial Governments, the duties that they had to pay under the new arrangement. This is what Sir Charles Innes stated when introducing the Amending Bill:

"Local Governments have enjoyed the privilege of this proviso for many years past and it would affect their finances if we merely abolish the proviso and make no arrangements in any way to compensate them. We have therefore decided, for the present at any rate, to make arrangements whereby the amount of duty levied on goods imported by Local Governments, belonging to Local Governments will be ~~refunded~~ recorded in the Customs Offices .. .. and

Serial No.

and at the end of ~~which~~ each year a refund will be made to the local Government of that amount."

It will thus been seen that the position of the Provincial Governments in respect of exemption of their consignments from Customs Duties remains unaltered by the new Legislation and they continue to enjoy the privilege of Free Import. The same consideration ought to be extended to us as it is impossible to contend that Mysore stands in less need of this exemption than the Provincial Governments, or, that what is a matter of right in the case of a Provincial Government -- Goa Government -- is not such in the case of another Government in India like the Mysore Govt.

3. Under the Reforms, the Provincial Governments are entirely different from the Government of India. Whatever the measure of control over the Provincial Governments still retained by the Government of India and the Secretary of State, they are separate Governments, independent of the finances of the Central Government, except in respect of their obligation to pay the temporary subsidies under the Meston Award. For the purpose of this question, what is pertinent is the financial relation of the Provincial Governments to the Central Government. This relation is clearly defined and I consider

NOTE---Contn. sheet.

Serial No.

consider that in this respect, the relation of Mysore to the Central Government is identical with that of a Local Government. Mysore is also ~~required to~~ making certain payments -- direct and indirect -- for the services which the Central Government renders to the State. Barring this, Mysore has the same financial autonomy as the Provincial Governments. If the Government of India considered it necessary to allow to the financially autonomous Provincial Governments the refund of Customs Duties nominally levied from them under the new law, I cannot see how they can refuse the same consideration to the similarly situated Mysore Government. Surely, the Central Government cannot defend invidious distinctions in financial matters between the several Governments under it and it is immaterial for this purpose, whether such Governments are those of Indian States which have all along been financially autonomous or Provincial Governments which have only recently obtained their financial autonomy. If anything, more consideration is due to the Governments of Indian States because they have all along been subjected to the Import levy from which the Provincial Governments were free. The sole justification for direct exemption under the old legislation and

without justification

and for indirect exemption under the new Legislation can be that consignments belonging to Governments should be freed from the levy. Can Government of India seriously contend that ~~this~~ consignments belonging to the Government of an Indian State ~~is~~ are not Government consignments? In whatever way the expression "Government" in the deleted prior to Section 20 of the Sea Customs Act was understood, the continuance of the privilege of exemption, though indirectly, to the separate Provincial Governments makes it evident that the privilege is due to all Governments in India without exception, whether they are Governments of Indian States or of British Indian Provinces.

4. In support of our contention, I think the system obtaining in this respect in Canada and Australia may be cited:

Section 125 of the Act of 1867 constituting the Dominion of Canada is as under:-

"No lands or property belonging to Canada or any Province shall be liable to Taxation".

This provision is thus interpreted by Prof. A.B.Keith:-

"No lands or property belonging to Canada or a Province could be taxed either by the Provinces or the Federation".

G. R. S. III-21

General and Revenue Secretariat. | File No. of 19 .

Serial No.

Section 114 of the Constitution of the Commonwealth of Australia sanctioned by the Act of 1900 is as follows:-

"A State shall not, without the consent of the Parliament of the Commonwealth, impose any tax on property of any kind belonging to the Commonwealth, nor shall the Commonwealth impose any tax on property of any kind belonging to a State".

It will be no answer on the part of the Government of India if they plead that the analogy of the above provisions does not apply because there is still no regular Federal Government in India. But conditions in India are fast moving towards that goal and the Reform Act itself is a definite step in that direction. The admission of our claim to exemption is only what has all along been due to us and what has become inevitable in the new order of things which is fast evolving in India.

Apart from the above grounds and from the early financial relief which is the object to be attained by urging them, the admission of our claim to exemption is the first and important step even in the solution of the larger question of our claim to a share of Customs Duties contributed by the people of the State.

NOTE—Contn. sheet.

DEWAN
through
Chief Secretary.

5/8/21

G. n. S. III-2]

| General and Revenue Secretariat. | File No. | of 19 . |
|---|---|---|

Serial No.

5) Mr Secy I have to submit this matter for the Governor approval a draft of a letter will be sent to Govt of India proceeding to note minute of the Govt on first report with ~~Hon'ble~~ the enquiry questions.

Sd
5/8/24

Secretary

6) Papers. The enquiry Committee

Sd
5/8

7) Memorandum 618

8) Draft submitted (Chosen) Sd 16/8/24

Typed as desired

9) I have sent 2 copies

NOTE—Contn. sheet.

# Submitted to His Highness.

(1) I beg to invite reference to correspondence ending with my Submission Note dated 19th February 1923 in regard to the tariff policy of the Government of India, and the Mysore Subsidy. As nothing definite has been received from the Government of India with reference to our representation on the subject of the recommendations of the Fiscal Commission, except a demi-official letter dated 19th June 1924 from Mr. Cater, it is considered necessary to issue a reminder on the two questions, viz., (1) the general question of granting Indian States a share in the Customs receipts of British India, and (2) exemption from the payment of import duties on articles imported for the use of the Mysore Government and their several departments. The two letters proposed to be issued - one to Mr. Barton and the other to Mr. Cater - are herewith submitted for the gracious approval of His Highness.

Bangalore,
13th November 1924.

13 NOV 1924

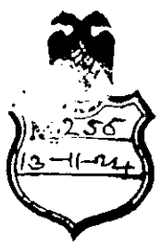
SGN.

Confidential

Record of Cases submitted for the Orders of His Highness the Maharaja.

## *Subject.*

11) Draft letters to the Residency on the subject of (1) granting Indian States a share in the customs receipts of British India and (2) exempting payment of import duties on articles imported for the use of the Mysore Government.




## *Order.*

12) Chief Sec. to Govt. to see

422

iv) Returned with DO letter No 151 dated 7.1.1925

Do No 151
See me file

Confidential

The Palace, Bangalore,
7th January 1924.

My dear Sir,

I am directed to return File No. 255, dated the 13th November 1924, and to say that His Highness does not think it ~~xx~~expedient to make any reference to the Government of India just now on the two questions referred to in your Submission Note. He feels that any further communication from us on those subjects, while the subsidy question still remains unsettled, is hardly likely to be productive of any good. On the other hand, it might only annoy them.

I am to say that the questions may be pursued further when the Subsidy matter has reached some kind of settlement.

Yours sincerely,
Mirza M. Ismail

Rajamantra Dhurina
A. R. Banerji, Esq., C.S.I., C.I.E.,

G. R. S. III—3]

## ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

1) Exemption of State Imports from Customs duties.

2) Audit of Sects. Cash Accounts, inter G.O. issued on the 5th

4) The marginally noted two files are put up, as directed.

Dewan) 16.2.25.

5) Flag staff a revision (1). a rule & bell (2) as

with thanks

17.2.25

Hon.

Re (1), the letters proposed to the Resident & to the Cater on the two subjects refd. to in the Submissions note dy 13.11.24 have not been issued, in view of the Pte Secy's letter dated 7.1.25. The instructions on the latter were that the matters shd. be taken up after reply was recd. re the Subsidy, which has not yet been recd.

Resubd. for favour of instrns.

Re, (2). Action is being taken separately.

Dewan. 17.2.25

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

13

Recd
(8/7/25

18/A D.S.N. is pulverised —

Dewan).

(8/7/25 —

# Submitted to His Highness. 14

---

19) With reference to the Private Secretary's D.O. letter No. 151 of the 7th January 1925 communicating His Highness' orders in regard to the further communications proposed to be issued to the Residency on the subject of granting Indian States a share in the customs receipts of British India, and exempting payment of import duties on articles imported for the use of the Mysore Government, I beg to resubmit the file for His Highness' gracious consideration. As large purchases have to be made by the Government in foreign countries during the current and next years, heavy losses will be caused if our articles are not exempted from payment of customs duties. It seems therefore to be desirable to send the proposed communications to the Residency. If His Highness is pleased to agree, the drafts may be graciously approved.

Bangalore,
18th February 1925.

CSR

Confidential 15

Record of Cases submitted for the Orders of His Highness the Maharaja.

## *Subject.*

Draft letters to the Residency on the subject of granting Indian States a share in the customs receipts of British India and exempting payment of import duties on articles imported for the use of the Mysore Government.

554

## *Order.*

16.5.25
Council
Dr Aiyangar please take necessary action at our meeting of Council to-day. Members to offer circulation

UNIVERSITY OF MYSORE.

MYSORE. 16

DR. B. N. SEAL.
Vice-Chancellor,

Dated the 8th May 1925

Yes 2 drafts

for [illegible] and return to me

Dear Mr. Ranga, 8th Sat. Yrs. s

I have seen the drafts of the letters relating to the share of the Customs receipts and the exemption from import duties. I am inclined to think that so long as final steps are not decided upon (and taken) in the matter of the military subsidy, the representation regarding a share of the Customs receipts may be held back. In fact, the questions of military subsidy and Customs duties are so interwoven that the nature of the representation regarding the latter must depend on the final action taken with reference to the former.

As regards the exemption from import duties, there is no such objection. But if there is to be (or recently has been) a controversial mood or temper in the negotiations over the subsidy, some time had better elapse before a concession in the matter of import duties is asked for.

Subject to the above, I have in a tentative way suggested some additions and alterations in the two drafts which have been entered marginally in the drafts themselves for your consideration.

I am returning the file to you Sir herewith, with instruction to send it on to [illegible]

Yours sincerely
Brajendranath Seal

(For Disposal at a Meeting)

No. C. 440 17
of 1924 25

# GENERAL AND REVENUE SECRETARIAT.

Council Matter.

SUBJECT.

(Clause xii of the Schedule)

Further representation to the Government of India re: the Mysore Government's share in the Customs receipts and ~~the~~ exemption from payment of import duties in the case of Government articles.

CIRCULATED TO THE MEMBERS OF COUNCIL.

By Order,

Offg. *Chief Secretary to Government.*

18th May 19 25.

---

Extraordinary Member of Council.

First Member of Council.

Second Member of Council.

Extra Member of Council.

e4440

18

G.R.S. III—3]

## Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

4/ I wish to see the whole Subsidy file on wh. Appears B. of Dewan's letter of 15th June 24 is drawn, & Sir Kan. Jis' letter of 22nd May 1919 upon which ~~file~~ rest in Subsidy file.

95-23
22/5-

Lee
20/5

Scheduled districts regulation

Comprising Vellanad Kalkulam Thovalapuram Devikulam Peermade Udumbanchola Thodupuzha

5/ The papers re. Subsidy are not available in C.B. They are believed to be in the Dewan's office - 22/5/25

Lee
22-5-25.

2nd member).

3/ Minute recorded separately

Lee 23/5/25.

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

Serial No.

34) I am also of opinion that exemption from Import Duties of articles imported for the use of Govt stands on a different footing from other Customs & the latter alone this may go.

I think also that the portion objected to by Dr Lea (who he revised, but not enacted as proposed by Dr Seal, as Customs Logic is always dishonest in him. as follows: Did much say somewhere

Apart from the general question of relief from Customs duties wh. you will be addressed separately, the Govr of Mepore Consider that ~~an integral Govt Constituted in the Indian under the Seal~~ in the matter of the ~~duties~~ refund of duties imposed on articles imported for the use of the Govr, no distinction exists between the Mepore Govt & Provincial Govts both the being autonomous Governments Constituted under the Suzerainty of the India Govt; & if there is a difference it is in favour of Mepore on account of the closer financial relationship that exists between Provincial Govts & the Govt of India.

(add, as to accounts?)

NOTE—Contn. Sheet

Serial No.

33) The Customs & Subsidy Question will have to be dealt with together. & the draft Sub. should be a recitation of our request for rebate as a temporary Solatium. There seems to be no need, therefore, to send the letter to Mr. Barton in the proposed form before considering the whole Question. I have not yet seen the Customs Subsidy file. After studying it I shall be better able to send my views. Yrs

Lee
23/5/25

34) Returned. 35) Thanks. Will think it over & let you know my views. [illegible] 23.5.25

25/5/25

C.S. Include in Agenda - hm 25.5.25

Included in Agenda for 28/5/25

25/5/25

Not Considered on 16.5.25

XII C 1113

Subject- 9 2!

36) Further representation to the Government of India regarding (1) Mysore Government share in the Customs receipts and (2) the exemption from payment of import duties on Government articles.

OPINION OF THE COUNCIL.

37) re import duties;
Draft as revised in Cl, may be ~~approved~~ issued.

hm
28-5-25.

38) Draft with Hon'ble Min. May the draft letter to the Secy to the Resident issue?

hm
29/5/25

hm
29.5.25.

Dewan)

39) In the Submission Note dated 18.2.25, it was proposed to issue both the drafts - on the two subjects. This was altd by His Highness as it has now been decided to issue the draft only in regard to one subject (~~exemption~~ exemption from import duties) a separate Submit Note explaining the circs will be put up, if altd, after issue of the draft. The revision has been indicated in pencil in the draft.

Dewan)

hm
29.5.25

40) Issue draft marked A

hm
9.6.25

to instructions contd DSW

General and Revenue Secretariat.

C. B. File No. of 19

Serial No

To

The Secretary to the Resident. D.O. No. 2683 & 3.6.25

Requests that the Govt of India may be moved to kindly consider and pass orders on the question of exempting from payment of import duties articles imported for the use of the Mysore Govt

D. S. N. submitted.

7.6.25.

NOTE—Contn. Sheet

(23

# Submitted to His Highness.

Page 15 of Office Notes

42) I beg to invite gracious' reference to the orders of His Highness dated 19th February 1925 approving of the proposal to issue two letters, one to Mr. Barton in regard to the general question of granting Indian States a share in the Customs Receipt of British India and the other to the Secretary to Resident in regard to the exemption from the payment of Import duties on articles imported for the use of the Mysore Government and their several departments.

43) The matter was further considered by the Council on the 28th May 1925. As the questions of Military Subsidy and customs duties are so interwoven that the nature of representation regarding the latter must depend on the final action taken with reference to the former, it was considered desirable to postpone the issue of the proposed letter to Mr. Barton till it was examined once more with reference to the question of subsidy. The other draft letter to the Secretary to the Resident in regard to the exemption from import duties of articles imported for the use of Government was also revised by omitting the references to the general 'customs' question. This letter has been issued on the 3rd instant.

44) The papers are submitted for His Highness' gracious perusal.

Mysore,
10th June 1925

1925

SVS

(24

Record of Cases submitted for the Orders of His Highness the Maharaja.

*Subject.*

45) Papers relating to (1)the question of granting Indian States a share in the customs receipt of British India, and (2) the exemption from the payment of import duties on articles imported for the use of the Mysore Government.

775

*Order.*

46) ~~KRW~~

12/6/25

47) Chief Secy

47

General and Revenue Secretariat.

C440

(25

43) Further representation to the Govt of India re: (1) Mysore Govt's share in the Customs receipts and (2) the exemption from payment of import duties on Govt articles.

(*)

31. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at headquarters and then sent to the Secretariat concerned for the issue of orders.

Circulated to the Members of Council for perusal of

His Highness' orders $\frac{\text{before}}{\text{after}}$ issue of orders. (*Vide* Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure)

*

*Chief Secretary to Govt.*

Through the Secretary to Government.

.....Department.

308/17.6

FIRST MEMBER OF COUNCIL.

17.6.

10079/17/6

SECOND MEMBER OF COUNCIL. 16/6/25

THIRD MEMBER OF COUNCIL.

NOTE—Contn. sheet.

Mono WD 1190—GPB—500 9-1-3.

General and Revenue Secretariat.

C.B · File No. 1939 (96) of 19

Serial No.

From

The Secretary to the Resident. D.O. no 4857 & 11.6.35

States that for reasons given there does not appear that there are any grounds on which the Govt of India can be addressed in regard to the question of exempting from the payment of import duties articles imported for the use of the Mysore Govt.

Submitted with reference. Your reference is invited to the Fin. Secretary's note dated 5th instant also wherein it is stated that, though the immunity which the Provincial Govts in British India enjoyed from payment of customs duties on their stores has been withdrawn, arrangements have been made to refund the amount of duty collected from Local Govts.

19/6/35.

The point may be further pressed on the grounds referred to above.

Dewan
thro' Secy

19.6.35

NOTE—Contn. Sheet

Serial No

(2) Our letter No. 2683 dated 3rd June 1925 has not been sent by the Residency to the Government of India at all. The reply communicated in the present letter from Major Evans Gordon is only the view of the Residency on the point raised by us.

(3) It is true that the Proviso to Section 20 of the Sea Customs Act of 1878 exempting imported Government Stores from payment of Customs Duties was repealed by Act VIII of 1924, but the Residency is apparently unaware of the fact that the Government of India decided to refund to the Provincial Governments the Customs Duties collected on the imported consignments obtained by them. Vide para 2 of my note dated 5th August 1924.

(4) There has been a still further development in this matter. The arrangement of refund which was adopted on the amendment of the Sea Customs Act has been modified in connection with the remission of the Provincial contributions given effect to by the Government of India commencing from the current official year. I would in this connection invite attention to para 81 (extract appended) of Sir Basil Blackett's Budget speech dated 28th February 1925. The five Provincial Governments whose contributions have been partially remitted from this year no longer get this refund. Bombay whose contribution has only been partially remitted for one year and the other Provinces which have not received the benefit of the remission are

Serial No.

are still entitled to the refund but, Sir Basil Blackett has stated that " the Government of India propose to take the question up with the Governments to whom refunds will still be payable with a view to arriving at some solution which will obviate the objections to the existing arrangement." The principle on which the Government of India have proceeded and propose to proceed in respect of the relief to be afforded to the Provincial Governments is this:-

"Those whose contributions are remitted are denied this refund. The other Provinces will either get the refund or the same benefit in some other form.

53) It is not, therefore, right to state, as observed in the Residency letter, that the immunity which the Provincial Governments enjoyed from payment of Customs Duties on their stores has been withdrawn. The form of relief has been changed but, the relief is still afforded to them. Our claim to refund, therefore, stands as we do not get any equivalent benefit as the Provincial Governments do, according to the arrangement adopted by the Government of India.

56) Even if the view is held that the system of refund of Customs Duties to Provincial Governments is abolished altogether, the case of Mysore has to be treated differently. The Customs revenue belonging to the Provincial Governments, but taken

Serial No

taken by the Government of India is part of their contribution to the latter Government for military protection. In addition to such indirect contributions, the Provincial Governments do not pay any cash subsidy to the Central Government. It is true that they are now required to make such cash contributions under the Meston Award. But the Government of India stand pledged to remit this contribution altogether as early as possible and, in fact, the process of remission has already begun commencing from the current year.

57) Our claim to a refund of the Customs Duties levied on imports for use of Government Departments may assume a different complexion after we receive a share of Customs Duties or, when the share to which we are entitled is treated as a set off against the cash subsidy we are paying for military protection. In the meantime, however, the case of Mysore is different from that of a Provincial Government and our claim to refund of Customs Duties on Govt Consignments cannot be regarded as having lost force because a different arrangement has been or will be adopted by the Government of India towards the Provincial Governments.

Mucl 30/6/29

58) I had a discussion with Mr P. D Mackett. He is likely to be required this week to be informally called

Serial No

(69) Instructions in Ch.

(59) Ch. i C

40
2/7

No further action at present — file of Genl. Qr. I re share of customs "receipts" is settled.

hm
21.7.25

This file was given to me by the Chief some time ago for study and a note.
A note and draft are putup separately.
As the file is in last sections I have numbered the notes as well as the correspondence for facility of study.

MCJ
16/7

NOTE—Contn. Sheet

FAIR DRAFT.

D. O. No. 2683/C.1.

3rd June 1925—

(Camp) Mysore.

Dear Major Evans-Gordon,

I am desired to acknowledge the receipt of Mr.Cater's D.O. letter No.4850 dated(Camp) Mysore, 19th June 1924 intimating that the Government of India have taken up the question of exempting from the payment of import duties articles imported for the use of the Mysore Government and their several departments along with the general question of granting a share of the customs duties of British India to Indian States and to request that the Government of India may be moved to kindly consider and pass orders on the former question independently of the latter. The general question of Indian States sharing in customs duties is a large problem, involving important political as well as financial considerations. Your letter says that it cannot be indicated at present when a decision will be arrived at as regards this general question. The question of exemption of Government imports from customs is a very limited one and is asked for on entirely different grounds. His Highness' Government feel that if the attention of the Government of India is invited to this point, it may be perhaps possible to secure a satisfactory settlement of this question at an early date. All that the Mysore Government ask is that, in the matter of customs duties, the Government of India may treat the Mysore Government in the same way they treat the Provincial Governments.

I am to request that the Hon'ble the Resident may be pleased to place this aspect of the matter before the Government of India, and move them to be so good as to pass early and favourable orders in the matter.

Yours sincerely,

2.6.25

CB-1934

THE RESIDENCY

D.O.No. 4857

BANGALORE,

Dated 11th June 1925.

Subject:- Question of exempting from the payment of import duties articles imported for the use of the Mysore Government and their several departments.

---

Dear Mr. Ramaswamaiya,

I am desired to refer to your demi-official letter No.2683/C.B., dated the 3rd June 1925, and to say that the proviso to Section 20 of the Sea Customs Act, VIII of 1878, exempting imported Government stores from the payment of customs duties was repealed by Act VIII of 1924. The immunity which the Provincial Governments in British India enjoyed from payment of customs duties on their stores has been withdrawn. It does not appear therefore that there are any grounds on which the Government of India can be addressed.

Yours sincerely,

K. Venu Gopala

B. Ramaswamaiya, Esq., B.A., B.L.,
Chief Secretary to the Government of
His Highness the Maharaja of Mysore.

PN

A. to Usme
2.6.25.

Dear ~~Mr Cater~~, Major Evans Gordon.

I am desired to acknowledge the receipt of your D.O. letter No.4850 dated Camp Mysore 19th June 1924 intimating that the Government of India have taken up the question of exempting from the payment of import duties articles imported for the use of the Mysore Government and their several departments along with the general question of granting a share of the customsduties of British India to Indian States and to request that the Government of India may be moved to kindly considdr and pass orders on the former question independently of the latter. The general question of Indian States sharing in customs duties is a large problem, involving important political as well as financial considerations. Your letter says that it cannot be indicated at present when a decision will be arrived at as regards this general question. The question of exemption of Govt. imports from customs is a very limited one and is asked for on entirely different grounds. His Highness' Govt. feel that if the attention of the Govt. of India is invited to this point, it may be perhaps possible to secure a satisfactory settlement of this question at an early date. All that the Mysore Govt. ask is ~~whether~~ that, in the matter of customs duties the Govt. of India ~~wish to~~ treat the Mysore Govt. ~~as in no way different from a private individual or are they prepared to regard us as a Govt.~~, the Government of ~~an integral~~ portion of the Empire? It may be answered that under the Sea Customs Act, imports on behalf of the Central and Provincial Govts. are also liable to the payment of import duty. But this is only nominal. As far as the Central

Govt.is concerned,this makes no difference to them;as the import duty paid on their consignments only comes back to them as Customs receipts. In the case of Provincial Govts,the Govt.of India have agreed to refund to them the amount of the import duties paid by them. This is what Sir Charles Innes said in the Legislative Assembly in introducing the Bill amending the Sea Customs Act:-

"Local Governments have enjoyed the privilege of this proviso(proviso to Section 20 of the Act)for many years past and it would affect their finances if we merely abolish the proviso and make no arrangements in any way to compensate them. We have therefore decided,for the present at any rate,to make arrangements whereby the amount of duty levied on goods imported by Local Governments,belonging to Local Govts. will be recorded in the Customs offices and at the end of each year a refund will be made to the Local Governments of that amount". The Government of Mysore ask that they may be treated in the same way. They stand in no less need of relief than Provincial Governments and under the Reforms,Provincial Governments,as far as their finances are concerned,stand in exactly the same relation to the Central Govt.as the Govts.of Indian States do.

I am to request that the Hon'ble the Resident may be pleased to place these aspects of the matter before the Govt.of India,and move them to be so good as to pass early and favourable orders in the matter.

Yours sincerely,

Chief Secy.to Govt

I would certainly omit — "they stand in exactly the same relation to the Central Govt. as the Govts. of Indian States" — this statement is both politically and financially unsound, and would weaken the financial position of the Indian States. I would tentatively suggest the following in place of the above sentence "They stand in no less need of relief than the Indian states do" :—

They stand in even more urgent need of relief than the Provincial Governments, and their claims are stronger, in as much as their relation to the Suzerain Power is more definitely fixed by fact and convention and duties of this sort ~~Protects~~ on the present enlightened State which possesses no outlet to the sea except through the Suzerain's territory, are very much in the nature of an additional subsidy which is certainly not intended.

To

~~A.N.L.Cater,Esq.,~~

Secy to Resident ~~in C.I.~~

My dear Mr.Barton,

I request kind reference to Mr. Cater's D.O.letter No.4850 of the 19th Jun 1924 to the Chief Secretary intimating tha the Govt.of India have taken up the questi of exemption from payment of import duties of articles imported for the use of the - Mysore Government and their several Departments along with the general question of granting to Indian States a share of the Customs receipts of British India.

While His Highness' Govt.note,wit satisfaction,that this general question - which formed the subject of representation in a joint memorandum presented to the India Fiscal Commission and also in our official letter No.Pol.808 of the 3rd March 1923,has been taken up by the Govt.of India,there is yet no indication of any early settlement of this question,for Mr.Cater says that it - cannot be "indicated at present when a decision will be arrived at". We recognise that the question is difficult and complex, and requires time for a definite settlement, and are now anxious to know if any progress has been made in regard to such a settlement The straitened financial circumstances in which the State now finds itself with expend iture barely balanced with income,and with no money for the most pressing demands for developments under education,sanitation, medical aid etc. cause embarrasment for His Highness' Govt.to contemplate the indefinite continuance of the present unsatisfactory position.

There is another point to which the Mysore Govt. desire to draw attention once more. Questions of this nature can only be satisfactorily settled in mutual consultation of all the parties interested. As pointed out in our official letter of the 3rd March 1923, it was a definite recommendation of the authors of the report on Indian Constitutional - Reforms that means should be provided for joint deliberation between the Govt. of India and the Princes on matters of common interest to both. As far as this particular question is concerned, we would again urge that it should be discussed jointly between representatives of the Government of India, the Legislative Assembly and the Major Indian States. In this connection, I may invite your kind attention to the following extract from my last Dassara Address:-

vide suggested addition — next page

> "There are many questions in which the actions and policy of the British Indian Government vitally affect the Governments and people of the Indian States whose interests are inextricably mixed up with those of British India. The outlook is changing rapidly in British India and if the position of Indian States remains as it is, it is no exaggeration to say that their interests will be seriously prejudiced. We have to constantly urge for the introduction of such measures in any new scheme of constitutional changes that may be brought into existence sooner or later as would give a right place to Indian States from which they can exercise their voice in respect of all matters vital to their interests and future progress. This problem is being seriously studied and suitable proposals are being formulated to ensure that Mysore secures her rightful place in the Councils of the British Indian Empire."

His Highness' Govt. request that their views as indicated above may be kindly communicated to the Govt. of

India and will be deeply grateful for your sympathy and support in this matter.

About the exemption from payment of import duties on goods imported for the Govt. which is also referred to in Mr. Cater's letter, the Chief Secretary is sending a separate communication which will also, I trust, be forwarded with your strong support.

Yours sincerely,

D E W A N.

The Hon'ble Mr. W.P. Barton, C.S.I., C.I.E., ICS.
Resident in Mysore,
Bangalore.

X Additional suggestions at the place marked X on the previous page:—

Among financial issues, such a joint body will discuss questions of policy as regards protection, discrimination or otherwise, imperial preference, the stabilising of exchange, the balance of trade, the incidence of customs and tariffs on consumers and producers in British India and the Indian States, industrial problems, price levels etc.

Whether these deliberations will be carried on at periodical Indian Conferences like the Imperial Conferences in Great Britain, or by a standing Constitutional Chamber on a Federal or Commonwealth basis, is one of the fundamental questions which should be decided at the outset,— as also the equally important question whether a Customs Union (or Commercial Union) of the nature of a Zollverein among the Indian Governments and States may not be started independently of and prior to an all-India Constitutional Chamber or political Federation. No doubt, the Indian States concerned will be consulted before these preliminary issues are settled.

Again, the principles and policy formulated by these deliberative bodies will be carried out in detail by a body like the Tariff Board, and the major Indian States should be represented on such a Board. Similarly, there should be a Committee of Reference for deciding questions that may arise as to the apportionment of

P.T.O.

/ customs receipts, or the settlement of claims relating to such receipts in particular cases.

These are broad issues which will require to be settled in consonance with the trend of constitutional developments in Indian Polity.

JS.

# THE PRINCES OF INDIA AND THE REFORMS.

## EFFECT ON MYSORE.

(FROM A CORRESPONDENT.)

There are many indications of uncertainty and misgiving in the Indian States respecting the claim made by advanced politicians in British India that the Reforms instituted less than four years ago should be scrapped and superseded by a much more Swarajist system. From this point of view the result of the General Election in this country is being awaited with anxious interest. The Reforms Committee now sitting at Simla under the chairmanship of Sir Alexander Muddiman is not examining any witnesses from Indian States, as its investigation is limited to conditions in British India. But it is obvious that any marked departure from the existing system in British provinces and in the constitution of the Central Government would have far-reaching effects on the two-fifths of the Indian Empire under the rule of the Princes.

Definite expression has been given within the past few days to the disquietude felt in the Indian States in a pronouncement made under the authority of the Maharajah of Mysore, who ranks second only to the Nizam of Hyderabad in territorial importance, and whose great State takes the foremost place in economic development. The significance attaching to certain observations of his Dewan, Mr. A. R. Banerji, late of the Indian Civil Service, is the greater in view of the recent reforms whereby both the Representative Assembly and the Legislative Council of the State have been reconstituted on a wider franchise and with much increased powers.

In his inaugural address at the Dasara session of the Representative Assembly on October 10, the Dewan said that there were many questions in which the action and policy of the British Indian Government vitally affected the Governments and people of the Indian States, whose interests were inexplicably mixed up with those of British India. He added:—"The outlook is changing rapidly in British India, and if the position of Indian States remains as it is, it is no exaggeration to say that their interests will be seriously prejudiced. We have constantly to press for the introduction of such measures in any new scheme of constitutional changes that may be brought into existence sooner or later, as would give a right place to Indian States from which they can exercise their voice in respect of all matters vital to their interests and future progress. This problem is being seriously studied, and suitable proposals are being formulated to ensure that Mysore secures her rightful place in the councils of the British Indian Empire."

As an instance of the ways in which the Indian States may be affected by British Indian legislation, the Dewan referred to the adoption of a protectionist policy and its application in the first instance to steel imports. Until 1914 Customs duties were small. Recent successive enhancements of these duties by the British Indian Government have tended, said Mr. Banerji, to cripple seriously the taxable capacity of the people of Mysore and the resources of the State. He described the charge as an indirect contribution by the people of the Indian States to the revenue of the Government of India.

A change of great importance in the relations of Government to the States has been the substitution for Imperial Service troops, as they were long called, of State forces of a general level of efficiency. In this connexion it was decided a year ago that when a State paying a subsidy to the Government of India maintains efficient troops for Imperial defence and spends on them a sum which, in addition to the subsidy, amounts to over 15 per cent. of the gross revenues of the State, the excess is regarded as giving a claim for an equivalent remission of subsidy, according to the circumstances of each case. The Mysore subsidy has hitherto been Rs.35 lakhs (£233,000) per annum, and the Durbar has submitted proposals, now before the Secretary of State, for this principle to be applied, as Mr. Banerji put it, with due regard both to the special circumstances of the State and to the general question of the contribution toward the military defence of India by different parts of the British Empire.

T H E  T I M E S.

Imperial and Foreign
TRADE and ENGINEERING Supplement.

London, 25th October 1924.

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## INDIAN DUTIES AND THE NATIVE STATES.

The application of the Tata Iron and Steel Company for an increase of the protective duties ordained in the summer is coincident with a significant statement made on behalf of the Maharaja of Mysore at the opening of the Representative Assembly on October 10. The Dewan, Mr. A.R. Banerji, drew attention to the relation of the Indian States to the high import duties now payable at the British Indian ports. He said that in recent years the duties have been increased to so considerable an extent as to cripple seriously the taxable capacity of the people of Mysore and the resources of the State. The Customs revenue on goods consumed therein formed an indirect contribution by the people of Mysore to Imperial revenues. It had to be seen how far the interests of the Indian States and their subjects, both as producers and as consumers, would be safeguarded under such a policy, shaped or at least largely influenced by power industrial and commercial interests in British India. The Dewan announced that Mysore had urged the need for joint deliberations in respect of all such questions in future. It may be noted that under the progressive policy of the present Maharaja, the State is undergoing further marked economic development, and is therefore a large importer of machinery and other supplies. The Dewan has given expression to considerations which cannot be overlooked in the pursuit of the new fiscal policy in British India.

## NOTE ON FISCAL MATTERS AND CUSTOMS.

Three communications have recently been addressed by us to the Government of India in regard to their fiscal policy and the recommendations of the Fiscal Commission. Copies of these communications are annexed.

2. In the first of these it has been pointed out (1) that a protective policy shaped or controlled by powerful industrial and commercial interests in British India may adversely affect industries and labour in the Indian States, (2) that the Governments and people of the Indian States cannot leave the measures for the industrial advancement of their States to any outside body not responsible to them, (3) that if the receipts from the protective tariffs are to go wholly to the Government of India, Mysore cannot consent to a policy of protection which may cause extreme hardship to her own people. (4) It was also pointed out that the customs revenue which is collected by the British Government falls as an indirect tax on the population of Indian States, that in the case of Mysore this indirect tax is an enforced levy rendered possible by her geographical position, and that owing to the enhancement of customs duties in recent years, the drain on Mysore had increased to enormous proportions. (5) Lastly a request was made that, as the matter is one of joint interest to the Government of India and the Indian States, His Excellency the Viceroy may be pleased, in accordance with the recommendations in the Montagu-Chelmsford report, to arrange for a joint deliberation and discussion on the subject between representatives of the Government of India, the Indian Legislature and the Indian States.

3. The second communication was with reference to certain specific recommendations of the Indian Fiscal Commission. While supporting the recommendation of the Commission in respect of the abolition of the import duty on machinery and of the export duty on hides, we expressed dissent from the Commission's recommendations condemning the Excise duty on cotton goods and supporting the continuance of the import duty on railway materials.

4. The third communication had reference to the exemption of Government imports from duty. It was pointed out firstly that such goods are imported by Mysore direct without break of bulk on British India and that the import duty is of the nature of a transit duty, which Mysore has abolished in respect of goods passing through Mysore from and to British India, in compliance with the Treaty; and secondly that imports by Provincial Governments are free of duty. The Fiscal Commission has expressed itself in favour of cancelling this exemption, but it was urged that whatever the decision of the Government of India may be in regard to Provincial Governments, the levy of duty on goods belonging to and imported for the use of the Government of any Indian State is inconsistent with the recognition of the position of these States as integral parts of the Empire.

It may here be noted that under a notification of the Government of India dated 25th August 1909 certain specified articles imported for the use of the Mysore Lancers and the Transport Corps are exempt from customs duty, on a certificate from the Military Adviser that the articles are necessary for the troops and will be used solely for military purposes. (This notification has come to notice recently, and was not mentioned in our letter on the subject of exemption of Government imports. A copy of the notification and of a previous notification specifying the class of articles are annexed.)

5. We have also associated ourselves with other Indian States in placing before the Indian Fiscal Commission a memorandum in which a claim has been made for the grant of relief to Indian States in the matter of the customs duty levied on goods imported into those States.

6. No reply to any of these representations has so far been received. In the meantime, while the Government of India do not appear definitely to have accepted a policy of protection, they have appointed a Tariff Board, in which there is no representative of Indian States, accepting in this respect the recommendation of

the Fiscal Commission—that it was unnecessary to have any such representative. Meantime, the budget estimates of the Central Government for the year 1923-24 take credit for an income from customs of Rs. 45 crores against Rs. 42¼ crores in the last year. The incidence of this on Mysore, roughly calculated on the basis of population is Rs. 82 lakhs. Further the doubling of the Salt Tax has increased the burden on the Mysore people by a further sum of Rs. 12 lakhs. Under Article 17 of the Treaty the Mysore Government is under certain restrictions in regard to the manufacture of salt in the State as well as in respect of the import and export of salt and the enhancement of the salt duty has added to the burden of the people of the State.

7. Generally speaking the question of the indirect taxation of the peeple of the Indian States by the Indian Legislature and the Government of India is a matter which affects practically all Indian States. The Government of India will not probably be able to send an individual reply to our representations. It is desirable that all Indian States should press for a joint discussion of the subject. As regards the exemption of Government imports from payment of duty there should be no difficulty if the Government of India are so pleased to extend to the Mysore State the consideration that they show to the Provincial Governments.

8. One aspect of the customs question has been referred to in our letter regarding the Bhatkal Harbour Scheme. If the Government of India concede our claims to customs duties on goods imported into the State the development of the harbour on the lines proposed by us would be greatly facilitated.

9. Reference may here be made to another communicatian addressed in March last about the burden of the customs on goods and mining material imported for use on the Kolar Gold Fields. The Mining Companies have pointed out that this levy weighs heavily on the industry, and that in view of their services rendered during the war some consideration is due to them. The Residency asked for particulars of the quantity of goods imported during the last few years. This information has been furnished.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE,
GENERAL AND REVENUE SECRETARIAT,

*Bangalore, dated 3rd March 1923.*

No. POL. 808.

FROM

K. MATTHAN, ESQ., B.A.,

*Chief Secretary to the Government of His Highness the Maharaja of Mysore.*

TO

A. N. L. CATER, ESQ., I.C.S.,

*Secretary to the Hon'ble the Resident in Mysore.*

SIR,

In response to the invitation contained in your letter No. 9161 of the 19th October 1921, I am directed to submit, for the consideration of the Government of India, the views of His Highness' Government on some points arising out of the recommendations of the Indian Fiscal Commission, 1921-22, in so far as they affect the Mysore State.

2. The main recommendation of the Commission briefly is that the tariff policy of the Government of India should be one of protection to be applied with discrimination along the lines indicated in the Report, and that a permanent Tariff Board should be created whose duties will be *inter alia* to investigate the claims of particular industries to protection, to watch the operation of the tariff and generally to advise the Government of India and the British Indian Legislature in carrying out the policy recommended in the Report. The Commission recognises that Indian States are closely concerned in the tariff policy which might be adopted by the Government of India. It assumes that the interests of Indian States, both as consumers and as producers, are identical with those of the population of British India, and although in a Memorandum presented on behalf of 32 of the Indian States, it was said that if the States should be unable to secure satisfaction to their claims to a share of the customs revenue it might be to their advantage to keep that revenue as low as possible, and to advocate a policy of free trade, the Commission considers that the real view of the States is that for themselves as for the rest of India, a policy of discriminating protection is the most suitable. The interests of the States and of their subjects, both as consumers and as producers will, the Commission believes, be fully safeguarded under the scheme of protection outlined in the Report. Finally, the Commission rejects the suggestion that the States should have special representation on the proposed Tariff Board.

3. In the first place, His Highness' Government are not convinced that under a policy of protection, the interests of the people of Mysore, both as consumers and as producers, will necessarily be identical with those of the population of British India. The effects of the tariffs, when based on such a policy, may possibly differ in different local areas which may be in varying stages of industrial and economic development, and as Indian States in general are undoubtedly economically more backward than British India, there is room for fear that under a protective policy, shaped or at least controlled by powerful industrial and commercial interests in British India, the tariff rates, lists and valuations may so work out as not only to tax the resources of the people of Indian States as consumers, but possibly even adversely affect industries and labour in the States,—a possibility which they can hardly contemplate with equanimity.

4. In the second place, the industrial development of Indian States is a subject which concerns the States only. It is a matter of "internal administration," for which the Government of India has not assumed responsibility and neither the Government nor the people of those States could be content to leave the measures for their industrial advancement to be dealt with as a matter of All-India concern, or by any authority not responsible to them.

5 Lastly, while on theoretical grounds it is quite probable that many of the Indian States will accept a policy of Protection, such acceptance must obviously be a qualified one, having regard to various considerations, not the least important of which is the destination of the receipts derived from the protective tariffs. Mysore for her part cannot give an unqualified consent to a policy which may cause extreme hardship to her population as consumers, if the income derived from the adoption of the policy is only to go towards the reduction of taxation in British India.

6 The customs receipts of the Government of India for the year 1915-16 amounted to Rs. 8·81 crores. In 1921-22 this income had grown to Rs. 35½ crores and the receipts for the current year are estimated at nearly 45½ crores. As remarked by His Excellency the Viceroy in his inaugural address to the Chamber of Princes in 1921, "though the revenue from customs is a British Indian receipt the effect of the fiscal system adopted by the Government of India is felt throughout India," as this indirect tax falls equally on the population of Indian States as of British India. As far as Mysore is concerned, this indirect tax is really of the nature of an enforced levy, made possible by her geographical position as a land-locked State. It is obvious that the drain on Mysore through this channel has latterly grown to enormous proportions, and it is no exaggeration to say that the people of Mysore as of other Indian States, view the situation with growing anxiety and apprehension, which are far from being allayed by the recommendations of the Fiscal Commission.

7. One of the specific recommendations in the Report on Indian Constitutional Reforms was that means should be provided for joint deliberation between the Government of India and the Princes on matters of common interest to both. (*Vide* also your letter No. 5589, dated the 10th August 1918 and the Dewan's reply No. 165, dated the 11th October 1918.) Even apart from the recommendations of the Fiscal Commission, this subject of the tariff policy of the Government of India which, in the words of His Excellency the Viceroy is "one of joint concern to British India as well as the States" is pre-eminently one to be dealt with in this manner and His Highness' Government would respectfully request that His Excellency the Viceroy may be pleased to arrange for a joint deliberation and discussion of the subject between representatives of the Government of India, of the Indian Legislature and of the Indian States.

8. If the need for such joint deliberation in regard to matters of common interest was recognised by the eminent authors of the report on Indian Constitutional Reforms five years ago, it has now become the more urgent and imperative in view of the passing of the Government of India Act of 1919 and the conventions which are so rapidly growing up in connection with the powers and influence of the legislative bodies created by that Act. The Report on Indian Constitutional Reforms contemplated "the settlement of India's tariff" being left "in the hands of a Government amenable to Parliament and the Secretary of State", but the experience of the past two years shows that the tariff policy of the Government of India is, to all intents and purposes, controlled by the British Indian Legislature on which the subjects of Indian States are not represented. His Highness' Government confidently believe that the Government of India do not contemplate the subjection in fiscal matters of the people of Mysore to the electorate in British India as represented by the Indian Legislature and earnestly urge the Government of India to adopt measures that would adequately safeguard the financial interests of the State.

I have the honour to be,

Sir,

Your most obedient servant,

K. MATTHAN,

*Chief Secretary to Government.*

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE,
GENERAL AND REVENUE SECRETARIAT,

*Bangalore, dated 3rd March 1923.*

No. POL. 809.

FROM

K. MATTHAN, ESQ., B.A.,
*Chief Secretary to the Government of His Highness the Maharaja of Mysore.*

To

A. N. L. CATER, ESQ., I.C.S.,
*Secretary to the Hon'ble the Resident in Mysore.*

SIR,

In continuation of my letter No. Pol. 808, dated 3rd March 1923, communicating the views of the Government of His Highness the Maharaja on some points arising out of the main recommendations of the Indian Fiscal Commission, 1921-22, in regard to the adoption of a policy of protection, I am directed to address you with reference to some of the other recommendations of the Commission.

(1) EXCISE DUTY ON COTTON GOODS.

The Commission recommends that the Excise duty on cotton goods should be unreservedly condemned, and the entire question regarding the feasibility of continuing this duty left to be settled between the Government of India and the British Indian Legislature. This is a matter which affects Indian States as well as British India, and cannot be left entirely to the Indian Legislature. It is admitted that, with an import duty on cloth at a rate of 11 per cent, the Excise duty is no longer fully countervailing, and its abolition will not bring any relief to the consumer as the imports are the main factor in determining the prices of cotton goods in India. It appears to the Government of His Highness that the abolition of this duty will only increase the profits of the manufacturers and middlemen and add to the burden on the general tax-payer owing to the sacrifice of an appreciable amount of revenue, besides adversely affecting the handloom industry, and that it is therefore undesirable to abolish this duty at present.

(2) MACHINERY.

The Government of Mysore fully agree with the recommendation of the Commission that the import duty of 2½ per cent on machinery and of 15 per cent on machinery worked by hand, should be abolished.

(3) RAILWAY MATERIALS.

The Commission sees no objection to a duty being charged on railway plant and rolling stock belonging to State Railways although it doubts the advisibility of retaining the duty at its present high rate of 10 per cent. The recommendation to raise

the duty from 2½ per cent to 10 per cent was passed without any discussion by the Indian Legislative Assembly in 1922. If Indian States had an opportunity of expressing their views, they should have pointed out the serious adverse effect of this duty on railway construction in such States. The Government of His Highness are strongly opposed to the existence of this duty and would urge its total abolition as early as possible.

(4) HIDES.

The Mysore Government are fully in accord with the recommendation of the Commission that the export duty on raw hides should be abolished. The hide trade in the State has been seriously affected by imposition of this duty as explained by the Commission.

I have the honour to be,

Sir,

Your most obedient servant,

K. MATTHAN,

*Chief Secretary to Government.*

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE,
GENERAL AND REVENUE SECRETARIAT,

*Bangalore, dated 3rd March 1923.*

No. POL. 810.

FROM

K. MATTHAN, ESQ., B.A.,
*Chief Secretary to the Government of His Highness the Maharaja of Mysore.*

TO

A. N. L. CATER, ESQ., I.C.S.,
*Secretary to the Hon'ble the Resident in Mysore.*

SIR,

I am directed to address you on the subject of the customs duty levied by the Government of India on stores, materials and machinery imported into the State by the Government of His Highness the Maharaja for the use of the various departments of the administration. At present, articles imported for the personal use of His Highness the Maharaja in the Palace are exempt from customs duty but articles imported by the Government for the requirements of the departments do not enjoy a similar concession. The quantity of goods imported by the State to meet the requirements of the Public Works, Electrical and Railway departments is very large,—not to refer to the materials and stores imported by the Agricultural, Industrial, Medical, Stationery and other departments,—and the customs duty paid by the State for such imports has been considerable in past years. The recent increase in the tariff rates has further added to the burden on the State's finances and I am to request that the Hon'ble the Resident may be so good as to recommend the claim of His Highness' Government to be exempted from this levy for the favourable consideration of the Government of India.

2. His Highness' Government are making a representation separately on the general question of the effect of the tariff policy of the Government of India on Indian States and they have also associated themselves with certain other States in placing before the Indian Fiscal Commission of 1921-22 a memorandum in which a claim has been made for the grant of relief to Indian States in the matter of the customs duty levied on goods imported into those States. Apart however from the decision of the Government of India on this general question which may involve protracted discussion and deliberation, His Highness' Government trust that the Government of India will favourably consider the present request which is of a limited character, applying as it does, only to the duty on goods imported into the State on behalf of the Government and stands on a different footing from the general question referred to above.

In the first place, such goods are imported by the State direct from firms outside India, and do not break bulk in British India. The levy of such a duty therefore partakes of the nature of a transit duty. Article 14 of the Mysore Treaty prohibits the levy of duties on goods in through traffic which do not break bulk in the State, and the Mysore Government venture to point out that this restriction

implies a reciprocal obligation, *viz.*, that the Government of India for their part will not levy duties on goods entering British India from foreign parts and transported to Mysore without break of bulk.

Secondly, it is understood that no customs duty is levied by the Government of India on goods imported on behalf of Provincial Governments and His Highness' Government trust that they are not making an extravagant claim in asking that they may also be treated with the same consideration. They are aware that the Indian Fiscal Commission has recommended that the exemption of Government imports from customs duty should cease. Whatever the decision of the Government of India may be in regard to this recommendation, His Highness' Government venture to point out that the Indian States should be treated with some consideration in this respect and that the imposition of an indirect tax of this nature by the Government of India on an Indian State would seem to be inconsistent with the recognition of Indian States as integral parts of the Empire. In fact, the claim of the Government of Mysore not to be treated as a private individual in matters of taxation has already been recognised by the Government of India, as for instance in the matter of exemption from Income-tax and Super-tax of the income derived by the State from Government of India Securities. The request now made is that the same principle may be recognised in regard to customs duties also.

I have the honour to be,
Sir,
Your most obedient servant,
K. MATTHAN,
*Chief Secretary to Government.*

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Extract from the speech of the Finance Member introducing the Budget for 1925-26.

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81. It is desirable tnat I should mention a minor point arising in connection with the proposed reduction of the Provincial contributions. When a year ago we passed tne Act abolishing the proviso to Section 20 of the Sea Customs Act and Government stores ceased to be imported free of duty, we entered into a temporary arrangement, partly because we were pressed for time, under which in 1924-25 we are repaying to the Provincial Governments the duty on Government stores imported by them. This arrangement is admittedly unsatisfactory. Considerable administrative inconvenience is involved in this system, and it is open to the grave objection that it defeats an essential purpose of Indian policy which was one of the main justifications for the passing of the recent Act, in that, whatever procedure is adopted, it still pays a Provincial Government to buy stores in England and get the duty refunded by the Central Government rather than to buy them in India at the import price plus duty. This is unavoidable so long as any refund of duty is permitted. The Government of India are not bound by any promise to continue such refunds, and they propose simultaneously with the reduction or remission of the contributions in the case of the five Provinces concerned to discontinue the refund of duty in their case ef-t as from 1st April 1925. The amount involved is trifling and does not amount to more than about 20 lakhs for all the nine Provinces togetner. The only Province where the arrangement is of real importance is Bombay to whom about two-thirds of the 20 lakhs falls to be paid. It might be thought inequitable in present circumstances to refuse to

continue

continue the refund of duty in the case of Bombay, but the Government of India propose to take the question up with the Bombay Government as well as with the other Governments to whom refunds will still be payable, with a view to arriving at some solution which will obviate the objections to the existing arrangement.

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General and Revenue Secretariat | File No. | of 192 .

Serial No.

The files placed below relate to the question of the customs duties levied by the Government of India as affecting our State. There is a printed Note in the file indicating the position of the correspondence at a little before the end of 1923-24. We sent three letters to the Government of India on matters connected with this subject on 21 March 1923: one regarding the general question of our sharing in the customs revenues of the Government of India; a second giving our opinion on certain recommendations of the Indian Fiscal Commission; the third on the subject of purchases made by our departments being exempted from duty. (These three letters have also been printed - vide copies placed below). As regards the first two we have not yet heard from the Residency. As regards the matter dealt with in the third letter there has been some further correspondence.

In our letter on this third subject we said that we were making a separate representation on the general question of the Tariff Policy of the Government of India that this particular request was of a limited character applying only to the State's purchases. We were making large purchases of late and were paying import duties on them like private purchases. The goods were mostly obtained without break of bulk in British India and this rendered the duty a transit duty. The State was not levying such duties on goods passing through it and reciprocally the Government of India ought not to levy such duties on our purchases. We said also that the Government of India levied no duty on purchases made by Provincial Governments. We were aware that the Indian

Serial No.

Indian Fiscal Commission had recommended that exemption to Local Governments from customs should cease but we observed that whatever the decision might be on that recommendation we should be treated with consideration in this respect. An indirect tax of this nature was inconsistent with the position of Indian States as parts of the Empire. We wished not to be treated like a private individual and pointed out tha this principle was accepted in the matter of Income-tax and super-tax on the income we derived from the Government of India Securities. That principle had simply to be extended to this matter also.

Our claim was based therefore on four grounds:-

(1) Reciprocity,
(2) Analogy of Local Governments,
(3) Consideration due to an integral part of the Empire,
(4) The principle of not being treated as a private individual.

The Residency in reply stated (Vide Mr. Cater's demi-official letter No.4850 of 19th June 1924) that the question of exempting our Government's purchases from import duties had been taken up with the general question of the State Government sharing in the customs receipts of the Government of India and that it would scarcely be possible to consider the former question separately. They added also that it could not be indicated when a decision would be arrived at as regards the general question. Such a reply was more or less anticipated. That was why in our letter

Flag "7"
(Under pl.)

NOTE—Contn. Sheet

Serial No.

letter we had said that this question was of a limited character and might be taken up independently of the larger question. We pointed out this in a communication and asked the Residency to invite the attention of the Government of India to the special nature of this request and obtain orders on it independently. Our concluding sentence (in the communication (para)) was: "All that the Mysore Government ask is that in the matter of customs duties the Government of India may treat the Mysore Government in the same way as they treat the Provincial Governments." The Residency ignored the other grounds that had been stated in our previous letter and referring to this one sentence said in reply that the immunity which the Provincial Governments in British India enjoyed in the payment of customs duty on their stores had been withdrawn and that it did not appear that there were any grounds on which the Government of India could be addressed. On the former occasion our request had been at least forwarded to the Government of India but on this occasion it did not reach them at all.

With reference to this communication the Financial Secretary (the present Second Member of Council) pointed out that though the immunity of the Provincial Governments from import duties was discontinued they were to get a refund of the amounts collected as duties on their consignments and that where this refund was not made the Provinces were getting the same benefit in some other form. The Residency were therefore not right in stating that the Provincial Governments did not enjoy immunity from customs any longer. He observed that our claim

Serial No.

claim for refund still held good and that even if facts as regards the Provincial Governments were otherwise our claim would hold good because, while the Provincial Governments contributed nothing to the Government of India for Military expenditure and paid no cash subsidy, we paid cash subsidy year by year for military expenditure. On this Dewan, Sir Albion Banerji wrote -

Page 29
Para 58
Flag "R"

> " I had a discussion with Sir Basil Blackett. I fear there is little hope regarding this. May be informally talked over in Council."

Page 30
Para 60
Flag "Q"

The matter seems to have been talked over in the Council when the instructions were that no further action be taken at present till the general question regarding our sharing in customs receipts is settled.

Nearly a year has elapsed since then. Yet we have not heard from the Residency on either the general question of our sharing in customs receipts or on the particular request of Government's purchases being exempted from import duties. In our very first letter to the Residency we indicated that our request for exemption should not be mixed up with the general question. This bears being urged again. It is true also that we mentioned the analogy of the Provincial Governments which is now made the reason for not placing our case before the Government of India. But we stated at the same time that we were aware that their immunity might be withdrawn and observed that even then our claim would hold good. Among the grounds on which the request was based were the principle of reciprocity

Serial No.

reciprocity as between the State and the Government of India and the principle of the State being treated as not a private individual. The two letters which we have received from the Residency do not touch these grounds at all. They go entirely on the two grounds one of which we requested should not be allowed to delay the decision in this case and the other of which we relied on only subsidiarily. It would appear, therefore that we might address the Residency again on the subject pointing out that an year has elapsed since we last heard from them and that we are yet no nearer a solution of the question raised, that it is not known when the larger question might be settled but in the meanwhile we pay heavy import duties which the State cannot afford to pay in its present financial condition, that the withdrawal of the immunity from customs duty previously enjoyed by local Governments is only nominal and even were it otherwise our request would hold good on the other grounds of reciprocity and differentiation from the position of a private individual. The chances of the Government of India considering this question separately may be small but it would be something to have the case forwarded at all so that it may not seem to go by default. A draft to the Residency is put up for consideration accordingly.

Ch Secy

Apart from the question of principle I am right in the customs duty paid by the

NOTE—Contn. Sheet

WD 01264—GPB—40,000—17-12-26



General and Revenue Secretariat | File No. | of 192 .

Serial No.

people & hygienic an important Coast I think it necessary that we should also press the existing exemption from customs duty in regard to articles used for port purposes. The case previously seems to have become sidetracked owing to an enquiry had to visit others as to the analogy of the exemption enjoyed by Local Forts. That is not the ground for an exemption. A draft D.O. letter to the Accountant is put up for approval. We should also press for an early decision on the Customs Enquiry and enquire how the matter stands

Dutta 21/7/26.

May be circulated to the Members of Council

22-7-26

NOTE—Contn. Sheet

(For Disposal at a Meeting)

No. C. 31
8 1926-27.

# GENERAL AND REVENUE SECRETARIAT.

**Council Matter.**

SUBJECT

(clause ~~xxii~~ xii of the schedule)

Draft letter to the Residency regarding the Mysore Government's share in the customs receipts and exemption from payment of import duties on Govt. articles.

CIRCULATED TO THE MEMBERS OF COUNCIL.

By Order,

*Chief Secretary to Government.*

23rd July 1926.

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835/23/7 First Member of Council. 23/7/26

575/23/7 Second Member of Council. 24.7.26

D2

C 31

*Extract from the Proceedings of the* 779th *Meeting of the Council of His Highness the Maharaja, held at Bangalore on the* 29th July 1926. *19*

41. Subject. - Clause xii of the schedule.

Draft letter to the Residency re. the Mysore Government's share in the Customs receipts and exemption from payment of import duties on Government articles.

OPINION OF THE COUNCIL.

The question of the exemption of import duties on Government articles may be pressed.

(Signed) Mirza M. Ismail,
Dewan of Mysore.

DEWAN'S OFFICE.
Received on
3. AUG. 1926
Reg. No 829.

"EXTRACT"

DS may put up as personally instructed.
30/7
Chief
Dewan
30/7

*Chief Secretary to Government.*

WD 1471 GPB—2,000—1-5-21

(1)

To

The Hon'ble the Resident in Mysore,
Bangalore.

Dear Mr. Pears,

I write to request the favour of your good offices with the Government of India on an important subject which has been pending for some considerable time.

In a letter dated the 3rd March 1923 His Highness' Government made a request that the Government of India might declare all purchases made by Government Departments in the State to be free from customs duties. The request was based on grounds of reciprocity, on analogy with the position of Provincial Governments, on the consideration due to the State as a part of the Empire and on the distinction that should be made between the State and a private purchaser. In connection with the recommendations of the Indian Fiscal Commission we were at the same time making a representation on the larger question of the State sharing in the customs revenues of the Government of India. As it was feared that the former question might be mixed up with this latter, we specially requested that it be disposed of independently. The Government of India said, however, that the request for exemption would be taken up with the general question.

We pointed out that this would indefinitely postpone decision on the smaller question and requested the Residency to address the Government of India to deal with it separately. As the ground of analogy with provincial Governments was somewhat stressed in this letter we received the reply (Vide Major Evans Gordon's demi-official letter No.4857 dated the 11th June 1925) that Provincial Governments in British India ~~are~~ were not exempt from customs duties and that there were no grounds on which the Government of India could be addressed.

As I have stated, our request for exemption was made on other grounds besides the analogy of Provincial Governments which were fully explained in our first letter on this subject. We levy no duty on goods passing through the State without break of bulk and request that our goods passing through British India be similarly ~~be also~~ allowed free of duty. Our position has been differentiated from that of private individuals in other matters ~~like~~ such as income-tax and we ask that the same principle be recognized here ~~and the State treated with~~ the ~~consideration due to a part of the Empire~~. These important grounds by themselves would justify the request for re-consideration. Even the analogy of the Local Governments holds good in this connection. It is true that the Government of India have withdrawn from them the immunity from customs duty which they formerly enjoyed but at the same time ~~they came~~ has come to an understanding with these Governments by which the amounts recovered - - -

as customs duties from them were to be refunded. This arrangement would seem to have since been modified in connection with the remission of Provincial contributions but the principle of the Provincial Governments receiving relief in consideration of the withdrawal of immunity from customs continues. The State, however, while paying these duties is getting no consideration in any shape.

May I therefore request that the matter be looked into again and the case ~~placed before~~ resubmitted to the Government of India? The general question of the States sharing in the customs revenues of the Government of India may take a long time to settle. The State in the meanwhile is paying as customs duties ~~in~~ large sums which in its present financial condition it can ill afford to pay without injuring development in various directions. His Highness' Government are willing that when other important questions pending decision with the Government of India come to be disposed of, the decision in this particular matter may, if necessary, be revised. They only request that the burden of these duties which is affecting the State's financial position unfavourably be removed as early as possible and the State placed in a better position to meet the needs of a progressive administration.

Yours sincerely,

(Dewan)

DRAFT SUBMISSION NOTE.

...

I beg to invite His Highness' gracious attention to Sir Albion Banerji's Submission Note dated the 11th June 1925 ~~in which it was brought~~ to His Highness' notice that of the two letters which His Highness had approved previously on the two subjects, ~~of the State's sharing in the customs receipts of the Government of India and of the exemption of the Government's imports from duties.~~ the former had been kept by and only the latter issued. In this letter to the Residency we had somewhat stressed one of the grounds on which the request was based viz., that Provincial Governments in British India were exempt from customs duties. The Residency without submitting the case to the Government of India sent a reply that Provincial Governments ~~were not~~ not exempt from import duties and that it did not appear that there were any grounds on which the Government of India could be addressed. Our request was based on other grounds besides the analogy of Provincial Governments but this fact does not seem to have received sufficient attention. It has been previously submitted that when the Government of India were at first addressed on the subject they stated that the question of Government's imports being from from duty was taken up with the general questions of the State's sharing in the

on the subject of the State sharing in the customs receipts of the Government of India and that of Government's purchases being exempted from payment of customs duties to the Govt of India. In that note it was brought

the Government of India's receipts from customs duties. Sir Albion Banerji seems to have talked the matter over with Sir Basil Blackett when he was here last year and recorded a minute in July last that there was little hope of a favourable issue in this subject ~~matter~~. The matter was then talked over in the Council and this was the opinion of the Council also. It is now a year since then and yet it is not known what progress the consideration of the general question has made. The matter was, therefore, again taken up in the Council and it was resolved that the question of Government purchases being exempt from duty might be pressed. A draft letter to the Hon'ble the British Resident urging all the grounds on which our request is based and requesting that the matter may be submitted again to the Government of India is placed in the file. The papers are submitted to His Highness for gracious perusal and approval to the action proposed to be taken. On the general question of the State sharing in the Govt of India's Customs Receipts we shall have to await the decision of the Govt of India

Dewan.

30/7

30/7

D. O. No 306
Encls. (Connected files)

DEWAN OF MYSORE

PUBLIC OFFICES,
BANGALORE.
July 31, 1926.

My dear Sir Charles,

I am enclosing a draft letter proposed to be addressed to the Residency pressing our claims for exemption from the payment of import duties on Government Stores. Would you kindly favour me with your suggestions on the subject? I am sending the entire collection of papers for ~~your~~ reference if necessary.

Yours sincerely,

Mirza M. Ismail

"BALLABROOIE",

D.O.No.10/Conf. Bangalore, 1st August 1926.

My dear Mirza,

As your file on the subject of the customs duty on Government stores bears an 'immediate' slip, and as I think you may want to discuss it at tomorrow's conference, I am replying without waiting to digest the whole of the material you have sent me.

Writing without the book, I don't think that such exemptions are given anywhere else, and in India under the present tariff they would have had to be abolished sooner or later, quite apart from the Fiscal Commission's recommendations. For one thing they involved a tremendous bundobust -- a Government purchasing agency abroad and an Agent for Government Consignments at every port -- since it was impossible to grant the concession to goods imported for Government by private firms or bought of private firms in India. This meant a tremendous handicap on the importing firms. A worse one arose when Government enterprises were started. For instance, a Government soap factory competed with the private manufacturer, using caustic soda that had not paid duty. Apply these instances to the Indian States and you will see what hopeless confusion might have arisen if the exemption had been extended to them -- which of course it never was.

With this much preface I hope you will pardon my urging that the case is a good one to put up as part of the general case for revision of the financial relations between the Government of India and the States, but that a single State putting it up as an isolated claim is laying itself open to a fairly complete and crushing reply.

In

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In

In support of this I propose to take in ~~view~~ order the four grounds on which the claim is based:

(1) Reciprocity

(2) Analogy of local Governments

(3) Consideration due to an integral part of the Empire

(4) The principle of not being treated as a private individual.

I. Reciprocity. The claim is that because Mysore doesn't tax goods going through its territories, British India should not tax goods coming through British India to Mysore. I don't think the two cases are comparable. There is -- reciprocity, established by Lord Ellenborough, as regards internal trade, that is to say, while Mysore maintains no custom-houses on its border, British India maintains none on goods passing out of Mysore into British India. The reciprocity claimed pertains only to States that have outside frontiers. Thus Kashmir gets its goods through free because it lets British Indian goods (chiefly charas) through free from Leh. Mysore, having no outside frontier, has no such reciprocity to offer.

II. Analogy of Local Governments. There is really no analogy. The original exemption to all Government goods was given at a time when the duties were low and the Provinces had no financial autonomy. Though it thus nominally extended to the Provinces, it never extended to the States. In the case of the Provinces, it became of importance only when new financial relations were introduced. The Government of India, ~~if~~ when they abolished it, compensated the Provinces as a purely temporary measure, because they had undoubtedly made a breach in the original engagement. Then they confined the exemption to

to Provinces that had not got a remission of ~~these~~ their Provincial contributions. This was simply illogical, as Sir Basil Blackett admitted when I challenged him in the last budget debate. The matter is now before the Secretary of State and they have got to get out of the mess as best they can. But whatever solution they arrive at, the States won't be able to draw any analogy from it, because they had no part in the concession, which arose out of the Reforms.

III. Consideration due to an integral part of the Empire.

From a glance at the notes I gather that this is based on the idea that, in some federations, the federal Governments don't tax the property and officers of the component States and vice versa. That is true, but unless I am mistaken, the property concerned is only real property. As I said at the outset there are, so far as I am aware, no exemptions elsewhere for Government stores, whether federal or State. And, as you are aware, Customs is everywhere a federal source of revenue. Thus no support to this plea is to be found in the practice of Empires or federations, but rather the reverse.

IV. The principle of not being treated as a private individual. The answer is, I think, that there is no distinction drawn in any Customs law between a private individual and a corporation or a Government. The exemption in India was an isolated exception, illogical and unworkable. Its abolition ~~xxx~~ at least taxes the Imperial and Provincial Governments for the benefit of the country as a whole, of which the States form an important part.

The one strong argument that I, at one time, thought might be used was the analogy of the Barcelona Convention, but

but on thinking over the matter further, I see a great difficulty in using even this, since it applies to independent sovereign States and involves internal customs lines, which it is one of the first objects of every foderation to abolish.

To sum up therefore:-

The exemption was practicable with a low tariff and one Government; under the reformed constitution it became impracticable and unworkable even in the Provinces; the States never enjoyed it before it was taken away from the Provinces; the taking of it ~~xx~~ away from the Provinces benefits the whole of India, including the States; it is hardly logical to base a claim for an impracticable concession that the States have never enjoyed on the fact that the similar concession enjoyed for a few years by the Provinces has been cancelled to the benefit of the whole of India including the States.

On the other hand the fact that the States ~~have~~ pay heavy sums as duty on goods imported for their own development under a tariff which they have no voice in fixing, is a very strong item in the case for a share in the Customs receipts and a voice in deciding the rates, and I would recommend that it be pressed as part of that claim by as many States as are willing to join in the representation.

Yours sincerely,

Amin-ul-Mulk

Mirza M. Ismail, C.I.E., O.B.E.,

Dewan of Mysore, Bangalore.

WD 01229—GPB—37,500—1-9-26
App. F. III—2]

General and Revenue Secretariat | File No. | of 192

Serial No.

With reference to the observations of Sir Charles Todhunter in his D.O. dated 1st August 1926, there is one important point to which it is necessary to invite attention. What we asked for was that stores imported for the use of Government departments might be exempted from sea customs duty. The Government of India have not refused our request and all that they have stated is that they would consider this proposal in connection with the larger question of our claim to a share of the revenue from customs duties.

The question of customs is a very big problem and it is intimately connected with federal finance and the contributions to be made by the different parts of India to the Central Government for purposes of Defence. The solution of this problem will necessarily take a long time ——perhaps many years ——and the immediate question is whether our representation for some relief in the form of exemption from customs duty on Government stores should also be allowed to be hung up indefinitely.

Sir Charles considers that the argument of reciprocity applies only to internal trade. I do not ~~at all~~ understand why this limitation should be placed upon it.

He holds that there is no force in the argument based upon the analogy of Local Governments,

NOTE—Contn. Sheet

Serial No.

Governments. I do not understand this position also. Local Governments enjoyed this exemption in the past. Such of them as had to loose the benefit of it have been excused from payment of their subsidies, according to the Meston Award, to the Central Government; other Local Governments are either getting refunds of duties paid by them, or will get the same benefit in some other form. The withdrawal of exemption from customs duty is closely connected with the remission of Provincial Subsidies and Local Governments should, in such circumstances, be taken as continuing to enjoy the exemption in one form or another.

It is true that the Indian States have not had the benefit of this exemption even in the past. But, is that any reason for continuing to ill-treat them ? Is it not, on the other hand, a reason for giving them some relief because they have so long been denied what was due to them ?

Again, Sir Charles argues that the exemption was practicable only when there was a low tariff If he means that, with a high tariff and the relief from the burden of such tariff in some form or other allowed to Local Governments, the States should continue to be subjected to customs duty, it only means that the latter should be taxed higher than even in the past for the benefit of British

India

WD 01229—GPB—37,500—1-9-26
App. F. III—2]



Serial No.

India as the proceeds of the levy ~~is~~ are exclusively appropriated by the Government of India. The unfairness of such an arrangement is obvious.

He considers that the withdrawal of the exemption from the Provinces benefits the whole of India including the States. It has to be stated, in the first place, that the benefit is not really taken away from the Provinces ~~at all~~ as it is continued to them either in the form of remission of their subsidies or otherwise. How, making the Provinces pay customs duty benefits a State like Mysore, I fail to understand. In what form does any benefit accrue to Mysore as the result of requiring the Provinces to pay customs duties ? Our subsidy is not reduced, nor do we share in the customs revenue of the Government of India. How, in such circumstances, Sir Charles considers that the taking away of exemption from the Provinces benefits us, it is difficult to follow.

The mixing up of the two questions: (1) the larger problem of customs, and, (2) the smaller one of exempting our stores from customs appears to me to be a device on the part of the Government of India to evade the issue and keep it pending indefinitely. The prospect of obtaining exemption from customs for our stores is probably remote but I consider that it is necessary for us to impress upon the Government



of

Serial No.

of India all cases of financial injustice done to us, I think the case under discussion is one such.

Mwfl 5/11/26

WAN'S OFFICE.
Received on
7. DEC. 1926.
No. 4114

The Govt. of India are, I believe, seriously considering these questions. The settlement of the Customs question is not so remote as we might be inclined to think. We should not be surprised if it was settled by 1929. The Viceroy & the Public Opinion have practically recognised the justice of the State Claim in this respect. They are not likely to ask any further special treatment favourably at present. I think we may well wait the Sir's forthcoming visit to Mysore & consider the question apart then.

JM2
6.12.26

FINANCIAL SECRETARY
8 DEC. 1926
No. 1624.

3859
7/12

Mwfl
8/12/26

This will be recorded and kept in Sec. till H.E. the Viceroy's visit is over.

h
7/12

SM
21.12.26.